

FOLLOW THE SCIENCE

In the race to build an innovation economy, it's all about the Benjamins

By **GREGORY ZELLER**

A revolutionary oral treatment that applies to cancer, diabetes and obesity? Check.

New enzymes that substantially improve the performance of mass spectrometers? Roger.

A simple, effective method for removing *E. coli* and other potentially deadly bacteria from homes? Got it.

Yes, Long Island has its share of biotech development underway, but it has lacked a foolproof way to pair scientific breakthroughs with investors who can commercialize them, creating the kind of economic driver the Island needs to reinvent itself as an innovation economy.

Until now, maybe.

"We have a lot of little fiefdoms," noted Neil Kaufman, chairman of the nonprofit Long Island Capital Alliance and a partner at Lake Success business-law specialist Abrams Fensterman. "Everywhere you look, some new alphabet organization springs up, saying 'we're gonna do this' and 'we're gonna do that.'"

"We're trying to get people to actually work together."

The alliance's primary weapons are its "capital forums," including a biotech-focused event held last month in conjunction with Cold Spring Harbor Laboratory.

It wasn't the first time the alliance brought inventors or capital-hungry startups face-to-face with potential investors, but considering the enormous stack of chips Long Island has placed on biotech, it might have been the most important.

The forums are similar to television's "Shark Tank," minus the investor-versus-investor intrigue, and "Pitch Night" at Mineola's LaunchPad Long Island, with the big brains lining up to pitch panels of potential investors.

The big difference: Winning "Pitch Night" gets you a free month of office space. Success at a LICA forum can mean millions of dollars.

Case in point: David Antar, CEO of Bay Shore digital-security provider A+ Technology Solutions, who presented at the alliance's cybersecurity forum last September. In December, A+ announced a \$12 million buy-in from Westbury Partners, a Hauppauge venture capital firm.

"We've helped dozens of local companies raise over \$150 million," said Kaufman, citing other collaborative efforts with Island-based institutions and organizations spotlighting health care and social media tech. "Then they go hire people and grow and have a chance to become the next big

local company."

In the case of the June biotech forum, four scientific breakthroughs achieved at the Cold Spring Harbor lab – including new cancer treatments and that *E. coli* eliminator – were spotlighted, generating considerable interest among various venture capitalists in attendance.

Scott Livingston, a Port Washington resident and president of Manhattan-based Livingston Securities, participated in the event and said his investment bank is drawing up plans to raise between \$10 million and \$20 million and usher one of the young companies – he declined to say which – toward an IPO within the next year.

As Livingston sees it, that's the real challenge for startups on this level: not the initial \$1 million needed to launch, but the funds that carry it on from there.

"The 'valley of death' has often been described as the first million raised to get a company started," he said. "But the true 'valley of death' is the scale-up capital, the 10 or 20 or 30 million you need to take your idea from the lab, do the pivotal FDA study, manufacture it or otherwise make it succeed in the real world."

With that next-level funding in mind, the self-professed "big fan of Long Island's innovation economy" was also part of a panel at the biotech forum that discussed the JOBS Act and "other changes in the way innovation is financed in America."

Signed into law last year by President Barack Obama, the Jumpstart Our Business Startups Act intends to encourage funding of U.S. small businesses by easing various securities regulations.

That's exactly the kind of jolt Long Island needs, according to Livingston, who was joined in the discussion by Gregg Blake, founder of health-care financial adviser Brocair Partners; Steve Winick of Long Island VC firm Topspin Partners; and Larry Chaityn, managing director of global investment bank Kaminski Partners.

"That's a really big story for Long Island, which has the innovation but isn't filled with venture capital firms like Boston and San Francisco," Livingston noted. "Places like San Francisco and Boston are so vibrant because they've created lots of billionaires who then reinvest in the economy in those communities. We have lots of innovation, but there aren't 200 venture capital firms here."

That might not be a bad thing, he added.

"The biotech industry was built by 20 million IPOs, not venture capital firms," Livingston said. "I don't know if Long Island necessarily needs a great VC market, if there's a more open public



NEIL KAUFMAN: Keeping biotech startups here is the primary mission of the Long Island Capital Alliance.

market for companies like this."

Long Island has seen success stories evolve without excessive involvement by venture capitalists. Kaufman pointed to OSI Pharmaceuticals, a Long Island pharmaceutical startup that licensed Cold Spring Harbor research to create the lung cancer drug Tarceva.

The OSI saga didn't have a happy ending for Long Island. The company was eventually purchased by Astellas Pharma for \$4 billion, which abruptly closed the firm in May, whacking 120 jobs in the process. That, however, is "the model," according to Kaufman.

"That's exactly what the biotech forum was all about," he said. "Introducing clients who've made these discoveries to the New York investment community, so they can attract investment capital that will build their discoveries into successful companies."

The alliance is planning additional capital events, including one for manufacturers in conjunction with the Long Island Forum for Technology and another covering consumer products and retail. It's also planning another biotech forum, Kaufman said, featuring scientists from both Cold Spring Harbor and the North Shore-Long Island Jewish Health System's Feinstein Institute for Medical Research.

On an Island that's pinned its economic future on biotechnology, every little bit helps.

"Cold Spring Harbor Laboratory alone has discovered 10 or 12 compounds that have gone on to serve as the basis of successful drugs, but many of those companies were ultimately sold to big pharma and moved off Long Island," Kaufman said.

"We're creating an investment infrastructure to keep them here."